



North Dakota Office of State Tax Commissioner

# 2004 Income Tax Withholding

RICK CLAYBURGH  
TAX COMMISSIONER

Withholding  
Methods

Withholding  
Rates

## Rates & Instructions For Wages Paid In 2004

Dear Employer,

Employers and payroll services are preparing to update employee withholding for 2004. We provide the attached 2004 withholding rate schedules to help calculate employee withholding. The enclosed information is effective for **wages paid on or after January 1, 2004**.

Please take a moment to read *What's New For 2004* on page 1. There are three different methods to calculate withholding taxes. Of the three methods you might consider using the first method, *Percentage of Wages*. This method most closely resembles the Internal Revenue Service Percentage Method and should be relatively easy to program into your payroll system.

As noted on page 6, the second method, *Percent of Federal Withholding*, may appear to be simple because it is a percent of federal withholding. This may not be the best method to use for certain employees because it is possible to over-withhold for some employees.

The third method utilizes Withholding Tables. While these may be awkward to program, the tables may be useful for those employers with a few employees who use manual payroll operations. If you decide this option best suits your needs, you may download the tables from our Web site at **[www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)**, or contact our office. Our address and telephone number are listed on the last page of this booklet.

One of my top priorities for the Office of State Tax Commissioner continues to focus on providing exceptional customer service. One way we achieve this is by providing the information and tools needed in order for you to comply with North Dakota's tax laws. Your feedback is a key part to helping us make filing North Dakota taxes easy. I encourage you to contact me with your suggestions.

Sincerely,

Rick Clayburgh  
Tax Commissioner



Visit our Web site for  
forms and information  
about North Dakota's taxes.



[www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)

## ***What's New For 2004***

Rounding of the withholding tax - Employers and payroll services calculating the amount of state tax withheld from employees' wages will have the option to round the amount to the nearest whole dollar. This option is available to those who choose to use either Method One or Method Two. Method Three, which uses withholding tables, is already calculated in whole dollars. Under Methods One and Two, the withholding allowances and tax rates will apply as usual.

## ***Introduction***

This booklet contains the instructions, rates, and formulas that employers need to determine how much North Dakota income tax to withhold from employees' wages for 2004. It is important for employers to note that only the minimum and maximum dollar amounts for each income bracket have changed from 2003. The tax rate for each income bracket has not changed. Two of the three withholding methods allowed are presented in this booklet.

**Method One** presented on page 3, is the Percentage of Wages Method and is similar to the IRS Percentage Method described in detail in ***IRS Publication 15, Circular E, Employer's Tax Guide***. This method is fairly straightforward for computer programming purposes.

**Method Two** (Alternative Method), which continues the long-standing percent of federal withholding method, is presented on page 6. This method is to be utilized for withholding from only those employees whose total annual wages are expected to be less than \$18,000 (for single employees) and \$30,000 (for married employees). Use of this percentage-of-federal-withholding method for higher-paid employees will result in a **significant amount of excess withholding**. Therefore, employers are strongly urged to use Method One or Three.

**Method Three** involves the use of Withholding Tables. To use this method, an employer looks up the withholding amount from a series of tables taking into consideration the wage, the pay period, and the number of withholding allowances claimed on the employee's Form W-4. These tables may be useful for employers with non-computerized operations and few employees. The tables are available either from our Web site at **[www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)** or by contacting our office. If you decide this option best suits your needs, you will find contact information on the last page of this booklet.

## **Supplemental Wages**

Supplemental wages, as defined for federal income tax purposes, are treated as supplemental wages for North Dakota income tax purposes. This includes bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, and any other payment that is considered a supplemental wage for federal income tax withholding purposes. The method for calculating the amount of North Dakota income tax to withhold from supplemental wages is similar to the federal income tax withholding method. The amount of North Dakota income tax to withhold from supplemental wages depends on whether the supplemental wages are identified as a separate payment from regular wages.

If supplemental wages are combined and paid with regular wages, and the amounts of each are not separately identified, calculate the amount of North Dakota income tax to withhold from the combined amount using any of the regular methods allowed—i.e., Methods 1, 2, or 3.

If supplemental wages are paid separately from regular wages (or are combined and paid with regular wages but each are separately identified), calculate the amount of North Dakota income tax to withhold using the applicable method below:

1. If North Dakota income tax was withheld from the regular wages, calculate the amount of North Dakota income tax to withhold from the supplemental wages in one of the following ways:
  - (a) Multiply the supplemental wages by 3.92% (.0392), or
  - (b) Add the supplemental wages to the regular wages for the most recent payroll period. Then calculate a tentative withholding amount on this total amount using any of the regular methods allowed—i.e., Methods 1, 2, or 3. From this tentative withholding amount, subtract the amount of North Dakota income tax already withheld (from the regular wages). The result is the amount to withhold from the supplemental wages.
2. If North Dakota income tax was not withheld from the regular wages, use the method described above in 1(b).

### ***Method One: Percentage Of Wages Method***

Every employer must obtain a federal **Form W-4, Employee's Withholding Allowance Certificate**, for each employee. Using the table below, employers can determine the total value of the withholding allowance(s) claimed on employees' Forms W-4. This amount is subtracted from the wages to arrive at the amount used to calculate the withholding:

<u>Payroll Period</u>	<u>One Withholding Allowance*</u>	
Weekly .....	\$ 59.62	
Biweekly .....	119.23	
Semimonthly .....	129.17	* The withholding allowances listed are as of this printing. Please refer to <u>IRS Publication 15, Circular E</u> for 2004, for the most current amounts.
Monthly .....	258.33	
Quarterly .....	775.00	
Semiannually .....	1,550.00	
Annually .....	3,100.00	
Daily or Misc. ....	11.92	

#### ***Steps:***

- Multiply one withholding allowance for the payroll period (from the table above) by the number of allowances the employee claims on Form W-4.
- Subtract that amount from the employee's wages.
- Determine the amount to withhold from the appropriate table on the following pages.

***Example:*** A single employee is paid \$600 weekly. This employee has a Form W-4 claiming two withholding allowances. The amount of withholding is:

1. Wage payment		\$600.00
2. One (weekly) allowance	\$59.62	
3. Allowances claimed on W-4	<u>2</u>	
4. Multiply line 2 by line 3		<u>\$119.24</u>
5. Amount subject to withholding (Subtract line 4 from line 1)		\$480.76
6. Tax to withhold from Table 1, single person		\$ <u>8.77</u> (optional - may round to \$9.00)

The appropriate tables for all pay periods are on pages 4 and 5.

***Minimum Amount to Withhold:*** If the amount of North Dakota income tax to withhold for any pay period is less than \$1.00, the employer is not required to withhold that amount.

***Additional Withholding:*** There is no state form equivalent to federal Form W-4. If employees want additional state withholding, employers should accommodate the request whenever possible.

# Tables For Percentage Method Of Withholding

For Wages Paid in: 2004

## Table 1-Weekly Payroll Period

(a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$63			\$0
Over-	But not over-		of excess over-	
\$63	\$592		2.10% -	\$63
\$592	\$1,250	\$11.11	plus 3.92% -	\$592
\$1,250	\$2,860	\$36.90	plus 4.34% -	\$1,250
\$2,860	\$6,173	\$106.78	plus 5.04% -	\$2,860
\$6,173	- -	\$273.75	plus 5.54% -	\$6,173

(b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$155			\$0
Over-	But not over-		of excess over-	
\$155	\$1,058		2.10% -	\$155
\$1,058	\$2,010	\$18.96	plus 3.92% -	\$1,058
\$2,010	\$3,568	\$56.28	plus 4.34% -	\$2,010
\$3,568	\$6,269	\$123.90	plus 5.04% -	\$3,568
\$6,269	- -	\$260.03	plus 5.54% -	\$6,269

*Round to the nearest whole dollar*

## Table 2-Biweekly Payroll Period

(a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$127			\$0
Over-	But not over-		of excess over-	
\$127	\$1,185		2.10% -	\$127
\$1,185	\$2,500	\$22.22	plus 3.92% -	\$1,185
\$2,500	\$5,719	\$73.77	plus 4.34% -	\$2,500
\$5,719	\$12,346	\$213.47	plus 5.04% -	\$5,719
\$12,346	- -	\$547.47	plus 5.54% -	\$12,346

(b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$310			\$0
Over-	But not over-		of excess over-	
\$310	\$2,115		2.10% -	\$310
\$2,115	\$4,019	\$37.91	plus 3.92% -	\$2,115
\$4,019	\$7,137	\$112.54	plus 4.34% -	\$4,019
\$7,137	\$12,538	\$247.86	plus 5.04% -	\$7,137
\$12,538	- -	\$520.07	plus 5.54% -	\$12,538

*Round to the nearest whole dollar*

## Table 3-Semimonthly Payroll Period

(a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$138			\$0
Over-	But not over-		of excess over-	
\$138	\$1,283		2.10% -	\$138
\$1,283	\$2,708	\$24.05	plus 3.92% -	\$1,283
\$2,708	\$6,196	\$79.91	plus 4.34% -	\$2,708
\$6,196	\$13,375	\$231.28	plus 5.04% -	\$6,196
\$13,375	- -	\$593.11	plus 5.54% -	\$13,375

(b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$335			\$0
Over-	But not over-		of excess over-	
\$335	\$2,292		2.10% -	\$335
\$2,292	\$4,354	\$41.10	plus 3.92% -	\$2,292
\$4,354	\$7,731	\$121.93	plus 4.34% -	\$4,354
\$7,731	\$13,583	\$268.49	plus 5.04% -	\$7,731
\$13,583	- -	\$563.43	plus 5.54% -	\$13,583

*Round to the nearest whole dollar*

## Table 4-Monthly Payroll Period

(a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$275			\$0
Over-	But not over-		of excess over-	
\$275	\$2,567		2.10% -	\$275
\$2,567	\$5,417	\$48.13	plus 3.92% -	\$2,567
\$5,417	\$12,392	\$159.85	plus 4.34% -	\$5,417
\$12,392	\$26,750	\$462.57	plus 5.04% -	\$12,392
\$26,750	- -	\$1,186.21	plus 5.54% -	\$26,750

(b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$671			\$0
Over-	But not over-		of excess over-	
\$671	\$4,583		2.10% -	\$671
\$4,583	\$8,708	\$82.15	plus 3.92% -	\$4,583
\$8,708	\$15,463	\$243.85	plus 4.34% -	\$8,708
\$15,463	\$27,167	\$537.02	plus 5.04% -	\$15,463
\$27,167	- -	\$1,126.90	plus 5.54% -	\$27,167

*Round to the nearest whole dollar*

# Tables For Percentage Method Of Withholding

For Wages Paid in: 2004

## Table 5-Quarterly Payroll Period

### (a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$825	\$0		
Over-	But not over-		of excess over-	
\$825	\$7,700		2.10% -	\$825
\$7,700	\$16,250	\$144.38	plus 3.92% -	\$7,700
\$16,250	\$37,175	\$479.54	plus 4.34% -	\$16,250
\$37,175	\$80,250	\$1,387.68	plus 5.04% -	\$37,175
\$80,250	- -	\$3,558.66	plus 5.54% -	\$80,250

### (b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$2,013	\$0		
Over-	But not over-		of excess over-	
\$2,013	\$13,750		2.10% -	\$2,013
\$13,750	\$26,125	\$246.48	plus 3.92% -	\$13,750
\$26,125	\$46,388	\$731.58	plus 4.34% -	\$26,125
\$46,388	\$81,500	\$1,610.99	plus 5.04% -	\$46,388
\$81,500	- -	\$3,380.64	plus 5.54% -	\$81,500

*Round to the nearest whole dollar*

## Table 6-Semiannual Payroll Period

### (a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$1,650	\$0		
Over-	But not over-		of excess over-	
\$1,650	\$15,400		2.10% -	\$1,650
\$15,400	\$32,500	\$288.75	plus 3.92% -	\$15,400
\$32,500	\$74,350	\$959.07	plus 4.34% -	\$32,500
\$74,350	\$160,500	\$2,775.36	plus 5.04% -	\$74,350
\$160,500	- -	\$7,117.32	plus 5.54% -	\$160,500

### (b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$4,025	\$0		
Over-	But not over-		of excess over-	
\$4,025	\$27,500		2.10% -	\$4,025
\$27,500	\$52,250	\$492.98	plus 3.92% -	\$27,500
\$52,250	\$92,775	\$1,463.18	plus 4.34% -	\$52,250
\$92,775	\$163,000	\$3,221.96	plus 5.04% -	\$92,775
\$163,000	- -	\$6,761.30	plus 5.54% -	\$163,000

*Round to the nearest whole dollar*

## Table 7-Annual Payroll Period

### (a) SINGLE person (including head of household)-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$3,300	\$0		
Over-	But not over-		of excess over-	
\$3,300	\$30,800		2.10% -	\$3,300
\$30,800	\$65,000	\$577.50	plus 3.92% -	\$30,800
\$65,000	\$148,700	\$1,918.14	plus 4.34% -	\$65,000
\$148,700	\$321,000	\$5,550.72	plus 5.04% -	\$148,700
\$321,000	- -	\$14,234.64	plus 5.54% -	\$321,000

### (b) MARRIED person-

If the amount of wages  
(after subtracting  
withholding allowances) is:

The amount of income tax  
to withhold is:

Not over	\$8,050	\$0		
Over-	But not over-		of excess over-	
\$8,050	\$55,000		2.10% -	\$8,050
\$55,000	\$104,500	\$985.95	plus 3.92% -	\$55,000
\$104,500	\$185,550	\$2,926.35	plus 4.34% -	\$104,500
\$185,550	\$326,000	\$6,443.92	plus 5.04% -	\$185,550
\$326,000	- -	\$13,522.60	plus 5.54% -	\$326,000

*Round to the nearest whole dollar*

## Table 8-Daily or Miscellaneous Payroll Period

### (a) SINGLE person (including head of household)-

If the amount of wages (after  
subtracting withholding  
allowances) divided by the  
number of days in the  
payroll period is:

The amount of income tax  
to withhold is:

Not over	\$12.70	\$0		
Over-	But not over-		of excess over-	
\$12.70	\$118.50		2.10% -	\$12.70
\$118.50	\$250.00	\$2.22	plus 3.92% -	\$118.50
\$250.00	\$571.90	\$7.37	plus 4.34% -	\$250.00
\$571.90	\$1,234.60	\$21.34	plus 5.04% -	\$571.90
\$1,234.60	- -	\$54.74	plus 5.54% -	\$1,234.60

### (a) MARRIED person-

If the amount of wages (after  
subtracting withholding  
allowances) divided by the  
number of days in the  
payroll period is:

The amount of income tax  
to withhold is:

Not over	\$31.00	\$0		
Over-	But not over-		of excess over-	
\$31.00	\$211.50		2.10% -	\$31.00
\$211.50	\$401.90	\$3.79	plus 3.92% -	\$211.50
\$401.90	\$713.70	\$11.25	plus 4.34% -	\$401.90
\$713.70	\$1,253.80	\$24.78	plus 5.04% -	\$713.70
\$1,253.80	- -	\$52.00	plus 5.54% -	\$1,253.80

*Round to the nearest whole dollar*

### ***Method Two: Percentage Of Federal Withholding***

As noted in the Introduction, this method should be used only for employees whose total annual wages are expected to be less than \$18,000 for a single person, or \$30,000 for a married person. If an employer has no knowledge of an employee's expected total annual wages (as may be the case with employees holding multiple part-time jobs), the employer is encouraged to withhold using the Percentage of Wages Method presented previously. If state income tax is withheld at the rate detailed below for persons with higher income than that recommended for this method, the employee will have a significant amount of excess withholding. This will result in reduced take-home pay, and a high state refund when the employee files his or her state income tax return.

Under this Alternative Method, the amount of North Dakota income tax to withhold from wages paid to an employee is determined by multiplying the amount of federal income tax withheld by .21 (21%). This rate would apply regardless of the payroll period, marital status, or number of withholding allowances claimed by the employee.

***Example:*** If an employer withholds \$100 of federal income tax from an employee's wages, the amount of North Dakota withholding is computed as follows:

Federal Income Tax Withheld	\$100.00
North Dakota Alternative Method withholding rate	<u>X</u> .21
Amount of North Dakota income tax to withhold	\$ 21.00

**NOTE: This withholding rate is higher than the previous withholding rate because of tax reductions at the federal level. The state income tax on wages has not been increased.**

### ***Method Three: Withholding Tables***

Withholding Tables are available in an easy printable format from our Web site at **[www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)** or, you may contact the Office of State Tax Commissioner. See contact information below.

### ***Contact Information***

Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, North Dakota 58505-0599  
Web site: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)  
E-mail: [withhold@state.nd.us](mailto:withhold@state.nd.us)  
Telephone: (701) 328-3125

**OFFICE OF STATE TAX COMMISSIONER**

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Bismarck, ND 58502-0599

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